

Message Text

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E.O. 11652: GDS

TAGS: ENRG, EWWT, PDEV, VE

SUBJECT: OIL PRODUCERS TANKER FLEET DEVELOPMENT

REF: (A) STATE A-1542 (B) STATE 095548

1. SUMMARY. VENEZUELAN PLANS ENRISAGE NATIONALLY CONSTRUCTED, GOVERNMENT OWNED TANKER FLEET WITHIN NEXT FIVE TO TEN YEARS HAVING POTENTIAL FOR HANDLING OF UP TO ONE HUNDRED PER CENT OF ITS OWN PETROLEUM AND PETROLEUM BY-PRODUCTS EXPORTS.

2. OFFICIAL REPORT PREPARED BY MINISTRY OF COMMUNICATIONS INDICATES THAT CURRENT VENEZUELA FLAG TANKER FLEET CONSISTS OF NINETEEN TANKERS AGGREGATING 295,698DWT, ALL FOREIGN BUILT AND 100 PER CENT VENEZUELAN MANNED. GOV INTENTION IS TO CREATE A FLEET OF NATIONALLY CONSTRUCTED UNITS. CONSTRUCTION PLANS RELY HEAVILY ON FOREIGN TECHNOLOGY.

3. PLANS ARE ALREADY UNDERWAY FOR THE CONSTRUCTION OF AT LEAST TWO NEW SHIPYARDS AND THE REFURBISHING OF A THIRD. THESE FACILITIES WILL CONCENTRATE ON THE CONSTRUCTION OF 16 KNOT, 40 FOOT MAXIMUM DRAFT, TANKERS, IN THE 600,000, 60,000, 80,000 DWT

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RANGE, AS WELL AS ON SMALLER CARGO VESSELS. LATE LAST YEAR, PERHAPS

AS A TRIAL RUN, CONTRACTS WERE SIGNED PROVIDING FOR THE FIRST
NATIONALLY BUILT TANKER WHICH WOULD HAVE A CAPACITY OF 30,500 TONS.
AIM IS CREATION OF NEW TANKER FLEET OF AT LEAST TWENTY-FIVE
VESSELS WITHIN THE NEXT FIVE TO TEN YEARS CAPABLE OF TRANSPORTING
NO LESS THAN FIFTY PER CENT OF ALL VENEZUELAN BULK PETROLEUM
PRODUCTS IN NATIONAL FLAG, NATIONALLY CONSTRUCTED AND MANNED
VESSELS, THEREBY MAKING THE NATION INDEPENDENT IN THIS IMPORTANT
PHASE OF ITS ECONOMY.

4. FINANCING OF SHIP CONSTRUCTION FACILITIES WILL BE ACCOMPLISHED
PRINCIPALLY BY THE VENEZUELAN INVESTMENT FUND WHICH HAS BEEN
ORGANIZED WITH AN INITIAL CAPITALIZATION OF THREE BILLION DOLLARS.
ALTHOUGH FOREIGN CAPITAL HAS BEEN INVITED TO PARTICIPATE IN SOME
PHASES OF THE PROGRAM, IT WILL BE LIMITED IN ORDER THAT CONTROL
BE MAINTAINED BY THE VENEZUELAN GOVERNMENT AND ITS NATIONALS.

5. PREDICTIONS ARE THAT FULFILLMENT OF THE SHIPBUILDING PROGRAM,
PARTICULARLY INsofar AS TANKERS ARE CONCERNED, WILL GREATLY
STIMULATE THE ECONOMY AND ITS REALIZATION WILL FURTHER STRENGTHEN
THE NATION'S OVERALL DEVELOPMENT, INDEPENDENCE AND SOVEREIGNTY.
IT IS DOUBTFUL THAT EMBARGO HAS BEEN DIRECTLY CONSIDERED.
(QUESTION 2, PAGE 3). IT IS CLEAR, HOWEVER, THAT VENEZUELA'S
AIM IS EVENTUAL INDEPENDENCE IN THE OPERATION OF ITS PETROLEUM
ENTERPRISE FROM EXTRACTION TO TRANSPORTATION AND DELIVERY TO
FOREIGN MARKETS, FREE FROM OUTSIDE PRESSURES AND COMPETITION.

6. REALIZATION OF THE VENEZUELAN SHIPBUILDING PROGRAM COULD PLACE
BUYERS OF ITS PETROLEUM AT A DISADVANTAGE, PARTICULARLY IF THE
NATION'S CARGO PREFERENCE LAWS ARE STRICTLY ENFORCED SO AS TO
REQUIRE THAT EVENTUALLY 50 PERCENT (AND PERHAPS MORE) OF ITS
PETROLEUM AND PETROLEUM BY-PRODUCTS BE TRANSPORTED VIA NATIONAL
FLAG VESSELS. SUCCESSFUL IMPLEMENTATION OF THE PROGRAM WILL
RESULT IN A GREATER DEGREE OF CONTROL OF DELIVERY BY VENEZUELA
AND DUE TO THE MONOPOLISTIC NATURE OF THE VENTURE, THE COST OF THE
COMMODITY TRANSPORTED, AS WELL AS FREIGHT RATES, WILL HAVE A
TENDENCY TO INCREASE.

7. COMBINING THE CURRENT GLUT OF TANKER UNITS ON THE INTERNATIONAL
MARKET WITH PREDICTIONS THAT THE INTERNATIONAL TANKER FLEET WILL
BE OVERTONNAGED BY BETWEEN TWENTY MILLION AND EIGHTY MILLION DWT
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THROUGH THE NEXT FEW YEARS, VENEZUELA'S DESIRE TO HAVE ITS OWN
NATIONALLY BUILT FLEET - CONSIDERING THE TREMENDOUS CAPITALIZATION
REQUIRED - IS DIFFICULT TO UNDERSTAND, PARTICULARLY IN VIEW OF THE
FACT THAT CHARTERING AND PURCHASING OF UNITS WOULD BE MORE
ECONOMICAL, AT LEAST IN THE SHORT RUN. SOME OFFICIALS HERE BELIEVE
THAT THE COUNTRY IS GOING OUT ON A LIMB WITH THE NEW PROGRAM.
OTHERS, HOWEVER, FEEL THAT THE SPIN-OFFS OF CREATING AN INDUSTRY
SUCH AS SHIPBUILDING UTILIZING SO-CALLED HIGH TECHNOLOGY

WOULD IN ITSELF BE WORTH, IN THE LONG RUN, THE HIGH COST OF CONSTRUCTING A TANKER FLEET IN VENEZUELA. THERE ARE ALSO THE ELEMENTS OF NATIONAL PRIDE AND THE INDEPENDENCE FROM FOREIGN CARRIERS AND/OR SHIP BUILDERS WHICH WOULD ACCRUE TO VENEZUELA BY CONSTRUCTING ITS OWN TANKER FLEET.

8. THE PLACING OF ONE OR MORE VENEZUELAN UNITS IN ANY PARTICULAR TRADE WOULD SURELY HAVE AN EFFECT ON TRADITIONAL TANKER OPERATING COUNTRIES, ALTHOUGH THE DEGREE OF EFFECT IS A MATTER OF CONJECTURE. IT WOULD SEEM, HOWEVER, THAT THE EFFECT WOULD BE DIRECTLY RELATED TO TWO FACTORS, NAMELY, (1) THE CARRYING CAPACITY OF THE UNIT OR UNITS, AND (2) THE PERCENTAGE REQUIRED TO BE CARRIED IN NATIONAL FLAG VESSELS UNDER VENEZUELAN CARGO PREFERENCE LEGISLATION. SINCE THE PROMULGATION OF THE NATION'S MERCHANT MARINE PROTECTION AND DEVELOPMENT LAW, THERE HAVE BEEN HINTS FROM BOTH GOVERNMENT AND INDUSTRY SOURCES THAT THE LAW'S EVENTUAL GOAL IS 100 PERCENT CARRIAGE OF ALL VENEZUELAN SEABORNE COMMERCE IN NATIONAL FLAG BOTTOMS, AND THAT IF AND WHEN IT IS EXPEDIENT AND IN THE BEST INTERESTS OF VENEZUELA TO SO AMEND THE LAW, IT SHALL BE DONE. THIS, AGAIN, IS A MATTER OF CONJECTURE AND PERHAPS SHOULD NOT BE TAKEN TOO SERIOUSLY, ALTHOUGH NOT ALTOGETHER DISCOUNTED.

9. MAKING US PRODUCED TANKERS AVAILABLE TO VENEZUELA AT REASONABLE WORLD COMPETITIVE PRICES COULD POSSIBLY, ACCORDING TO SOURCES HERE, CONVINCE THE GOV TO PURCHASE UNITS FROM THE UNITED STATES RATHER THAN CONCENTRATE ON PRODUCTION OF ITS OWN FLEET. UNFORTUNATELY, SOURCES HERE ARE CONVINCED THAT THE UNITED STATES HAS PRICED ITSELF OUT OF THE TANKER MARKET INsofar AS VENEZUELA IS CONCERNED IN VIEW OF THE LOWER PRICES OFFERED BY JAPAN AND WESTERN EUROPE. IT WOULD APPEAR, THEREFORE, THAT THE QUESTION OF RESTRICTIVE CONDITIONS ON THE SALE OF US TANKERS TO VENEZUELA IS MOOT. (PAGE 4, QUESTION 2). PERHAPS BY OFFERING FAVORABLE FINANCING AND CREDIT ARRANGEMENTS, VENEZUELA COULD BE

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PERSUADED TO TAKE ANOTHER LOOK AT PURCHASING FROM US YARDS; AT LEAST UNTIL SUCH TIME AS HER OWN SHIPBUILDING INDUSTRY IS SUFFICIENTLY DEVELOPED. BUT INDICATIONS AT THIS TIME ARE THAT TERMS AND CONDITIONS OF SALE WILL HAVE TO BE MADE MUCH MORE ATTRACTIVE THAN AT PRESENT (OR IN THE PAST) IN ORDER TO INFLUENCE VENEZUELA TO PLACE ORDERS WITH US FIRMS.

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